

November 13, 2017 – COT Report Commentary

The holiday-delayed weekly Commitments of Traders (COT) Report, as well as the monthly Bank Participation Report, for positions held as of the close of business Tuesday, Nov 7 indicated a fairly large increase in the total commercial net short position in COMEX silver, including increases in the concentrated short positions of the 4 and 8 largest shorts, all being commercials.

I had no predictions for what the COT report would indicate, but I did mention that given the fairly volatile day to day price movement of silver during the reporting week, such activity left open the possibility of surprise. I would consider the increase in concentrated short selling in silver, combined with aggressive raptor (the smaller commercials) long liquidation to be the most unusual aspects of the reports. Let me run through the reports before coming back to this.

In COMEX gold futures, the commercials increased their total net short position by a moderate 4600 contracts to 215,300 contracts. This continues the experience of the past month and half of relatively small change in the total commercial net short position, which dovetails perfectly with the rather flat price performance over the time. (Positioning determines price). Actually, the commercials didn't add as many new shorts as the increase in the total net short position might indicate; as the big 4 added only 100 new shorts, as did the big 5 thru 8. The raptors sold off 4400 long contracts, accounting for the bulk of the increase in the total net short position and now hold 36,500 net longs.

On the buy side of gold, it was primarily a managed money affair, as these traders bought a few contracts more than the commercials sold. The managed money traders bought a total of 4747 net longs, including buying 5130 new long contracts and the new short sale of 383 contracts. Since the managed money short position is still quite low at just over 17,000 contracts, there is not a lot of room for continued short covering, same as the circumstance that exists in silver and much more room for new shorting, should the commercials hoodwink the managed money traders to the short side ahead. Managed money gold longs, at just under 188,000 contracts, allow for fairly substantial liquidation potential, but almost as much potential buying power should gold prices turn upward.

The bottom line in gold is that the matter of what must be considered a bearish market structure remains very much unresolved, same as has been the case for nearly two months. I remember thinking back then that I hoped the commercials would do what they had to do quickly, if they were going to do it at all (rig prices lower). I was hoping for a fairly quick resolution in gold and silver, not the drag-out we've been witnessing.

In COMEX silver futures, the total commercial net short position increased by a very hefty 10,600 contracts to 81,600 contracts. This is the largest (most bearish) headline number since Sep 12, which marked the most recent price top (\$18.25). As was the case in gold, the actual short position of the commercials didn't increase as much as the headline number indicates, as the silver raptors sold off 7100 long contracts, which has the mathematical effect of increasing the total net commercial short position. The raptors are now net long 20,700 contracts.

The big 4 added 2800 new short contracts to a net short position now totaling 71,775 contracts, the highest since April and not that far from all time big 4 short extremes. The big 5 thru 8 added 700 new

shorts during the reporting week, making the concentrated net short position of the big 8 to be 102,275 contracts more than 511 million oz. Eight banks are short nearly 64 million oz each on average and not one of them could come up with a legitimate reason for being short. Otherwise we would have heard the feeble excuse by now.

Based upon the concurrent release of the November Bank Participation Report, I would peg JPMorgan concentrated net short position to be 39,000 contracts, the equivalent of 195 million oz. Yeah, I believe JPM holds 650 million oz of physical silver, but that doesn't give it the right to singlehandedly cap the price of silver; these guys are stone-cold silver price manipulators. The whole purpose of the CFTC monitoring and publishing concentration data is to prevent very large traders from dominating the market. I guess that means the CFTC wouldn't be concerned until JPMorgan holds the entire COMEX silver short position by itself and perhaps not even then, considering the agency can't or won't touch the crooks at JPMorgan.

JPMorgan's net short position is now much larger than it was when it became known that it inherited Bear Stearns' short position in 2008. Not many remember, but the publication of the August 2008 Bank Participation Report revealed for the first time that JPM was the big short silver crook and my exposure of that fact led directly to the non-infamous five-year CFTC silver investigation by the Enforcement Division. Of course, that investigation was as phony as a three dollar bill. My point is that JPMorgan's short position in silver is now much larger than it was when the CFTC first saw fit to investigate back then.

It wasn't so much that JPMorgan's concentrated short position increased so much this reporting week, as is its sheer size at what are silver prices that can't be considered excessively high. Recent public earnings reports for the primary silver miners have indicated that not much, if any profit can be generated at current silver prices. Then where the heck is the economic legitimacy for the obscenely large concentrated short position? In fact, that's what's making me nervous about what lies ahead. A reasonable person would ask why, at current silver prices, would there be such large concentrated short positions?

Concentrated positions are not hallmarks of genuine free markets and the regulators know this. Such positions necessarily create potential risks that wouldn't be present in the absence of such dominating positions. This makes it a case that if something does go wrong with those holding big concentrated positions, the impact on the market is magnified. I don't think JPMorgan is in any jeopardy, but should another big silver short seller look to exit its position (say ScotiaMocatta) things could get dicey for the other big shorts. In this case dicey could mean up in price very big as well as down temporarily.

At the very least, all should be concerned about the highly concentrated nature of the short side of COMEX silver. Therefore, I'm even more concerned that however this current market structure gets resolved, it could be a doozy. I'm still concerned about a selloff or a sudden price rip higher, same as I indicated on Saturday. Again, there will be no report this Wednesday, the next report will be the weekly review next Saturday.

Ted Butler

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Silver – \$17.05 (200 day ma – \$17.18, 50 day ma – \$17.17)

Gold – \$1279 (200 day ma – \$1264, 50 day ma – \$1296)

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